ISSUE 220 15 FEB 2023 - 2 MAR 2023

China-India Brief

A publication of the Centre on Asia and Globalisation


Image Credit: iStock/xavierarnau

Guest Column

Power From the People: India, China and the Implications of Population Size

By Peter Robertson

By April 2023, India is predicted to overtake China as the world's most populous country. Its projected upward trend, along with a rapidly ageing China, suggest that India's population may be **50 percent larger** than China's in just a few decades.

This new status may deliver dividends to India in terms of global political power and economic leverage. Likewise, *The Economist* flagged the potential for **new opportunities** for India if China succumbs to either rising wage costs, political sanctions or high-tech protectionism from the United States (US).

Lee Kuan Yew School of Public Policy

Centre on Asia and Globalisation

The *China-India Brief* is a bi-monthly digest focusing on the relationship between Asia's two biggest powers. The Brief provides readers with a key summary of current news articles, reports, analyses, commentaries, and journal articles published in English on the China-India relationship. It features a Guest Column weighing in on key current issues in China-India relations.

Centre on Asia and Globalisation
sppcwb@nus.edu.sg
469A Bukit Timah Road, Tower Block 10,
Singapore 259770
https://lkyspp.nus.edu.sg/cag

cont'd p2

As the world's current title holder of most populous country, China's influence would appear to suggest that country size matters in international relations and politics. China has enjoyed the status of 'world's largest manufacturer' since its reform period and accession to the World Trade Organisation (WTO) in 2000. By 2009, the world was looking to China to pull it out of the mire of the global financial crisis. More recently, China has attempted to project military power into the South China sea and affirm itself as a great power.

To make the point, former Chinese Foreign Minister Yang Jiechi, infamously **reminded** members of ASEAN in 2010 that "China is a big country and other countries are small countries, and that's just a fact."

Nevertheless, history suggests that since the Industrial Revolution, population size has bestowed limited economic or political benefit. China has been the world's most populous economy since the mid-eighteenth century. However, despite a population of over **400 million**, it was bullied by the United Kingdom (UK), during the opium wars, with an estimated population of just 26 million. While China's economic and political clout is undisputed today, as recently as nine years ago, some experts were still arguing that **China was not a global power**, lacking economic sophistication, military power projection and having no international political ambitions beyond Taiwan.

Thus, China has been the world's most populous society since the eighteenth century, but it is only in the last ten years that it has been able to leverage that for significant political gain.

This schism between population size and political influence should not be lost on India. By the time Queen Victoria was proclaimed Empress of India in 1876, the UK had effectively controlled the subcontinent for a hundred years with a population that was never more than 10 percent of India's.

The remarkable fact about both China and India's large populations is that they have meant so little for so long.

Economic Size versus Population Size

China's lack of historical political clout is because of its historically low productivity and low per capita income. In 1600, China had twenty-five times more people, and eighteen times the GDP of the UK. But by 1870, after the Renaissance and at the start of the Industrial Revolution, Britain had more half of China's GDP due to productivity growth, despite a far smaller population. By 1910, the UK economy was the same size as China's with around **a tenth of the population**.

Image Credit: Flickr/Adam Cohn

Indeed, while size does count for a lot in politics, it is ultimately economic size that matters, not population size. Before the Industrial Revolution, these two concepts coincided. After the industrial revolution, the capacity for productivity growth and associated military technologies meant that population became less and less important.

If population size is not so important for politics, it counts for even less in economics. Doubling a country's population and doubling all its capital and resources would make almost no difference to standards of living or per capita economic growth.

With a rapidly increasing population, the best you can hope for is a neutral impact on living standards, since governments have to expand more resources to educate its people, provide infrastructure and attract private investment. So apart from some ability to affect trade deal outcomes or influence world prices, size does not matter in economics.

The more typical experience is that population growth is not matched by growth in education, infrastructure and investment. This leads to a fall in per capita incomes due to the law of diminishing returns.

The per capita gap

The risk that India faces, therefore, is that population growth will generate GDP growth but stifle growth in per capita income and hence living standards. This is critical for India because having been significantly wealthier than China in the 1960s, it is now far poorer. It also faces additional challenges in terms of its uneven economic development.

Likewise, despite a significant acceleration in growth in recent decades, India's growth in per capita GDP remains significantly below the double-digit rates that China achieved. Over the decade prior to COVID-19, from 2008 to 2018, India's per capita GDP averaged **6.6 percent per annum**. However, over that decade and previous decades, China's average growth was around 9 to 10 percent per annum.

Hence, even though China's growth is now slowing, the per-capita income gap is enormous. Even if per-capita income growth in India continues at its historically impressive rate of around 6.6 percent per annum, its per capita income level (approximately $2,000 per person in 2021) still wouldn't reach the per capita income that China has today (approximately $11,000 per person), until the middle of the century.

So while India's growth has improved, it is still far below what China demonstrated is possible, and per capita incomes in India seem set to remain well behind that of China for many decades.

Uneven Fertility Transition

While India is experiencing stronger population growth than China, it is also enjoying an impressive **fertility transition** with the total fertility rate falling to replacement rate in just two decades. This means that India's population is much younger than China's but also stands to benefit from a so called 'demographic dividend,' as pressure on infrastructure and public goods eases. In contrast, China's one child policy has created a high dependency rate as its large workforce enters retirement with relatively few workers to support them.

Nevertheless, the gain from the demographic dividend is likely to be small relative to India's potential for productivity growth. A change in dependency rate generates a one-off gain in per capita incomes which will typically be **dominated by even a small increase** in the productivity growth rate. The difference between India's growth in per capita income and China's growth since 2000 suggests massive unrealised potential gains. Thus, while a demographic dividend is 'nice to have,' it is not a 'get out of jail free' card in terms of matching China.

In addition, the fertility transition has not been even across India. States where population growth are the highest are generally the poorest. For example, in India's poorest state, Bihar, the total fertility rate is 3.0, which is 50 percent above the national average. Likewise, Uttar Pradesh and Madhya Pradesh, each with only slightly higher per capita GDP than Bihar, have total fertility rates of 2.8 and 2.6 respectively. By contrast, the six wealthiest states of Haryana, Telangana, Karnataka, Kerala, Gujarat and Tamil Nadu, have total fertility rates that are all equal to or below the replacement rate.

The greatest pressure for education and infrastructure is in the poorest states where these inputs are most lacking. This creates significant challenges for India: to reap the benefits of its younger population, it needs to ensure they are well educated and able to engage in the global economy. A greater number of poorly educated people may leave India's democracy more vulnerable to extremism and religious populism. India's overall adult literacy rate, at 75 percent has improved steadily in recent decades but is still behind what China had achieved by 1960.

Likewise, despite massive transformation and success stories, such as Whitefield near Bangalore and Gurugram near Delhi, there remain vast differences in per capita incomes. Wealthier states such as Goa and Sikkim have per capita incomes ten times higher than Bihar. These differences are amplified at the **district level**.

So while India has a lot to celebrate, and has shown remarkable success in picking up the speed of economic development and growth, the title of world's largest population is not one to celebrate. India is becoming a major world power and eventually may be the world's largest economy. But its size, in and of itself, will not do much to help ordinary Indians improve their standards of living. Their future depends on per capita income growth, which requires slower population growth, investment in education and infrastructure, and an acceleration of deregulation. Rather than more people, India needs to fully unlock the talent of its existing 1,425,775,850 inhabitants.

Peter Robertson, Ph.D., is the Dean of the University of Western Australia Business School and a Fellow at the UWA Public Policy Institute. He tweets at @RobertsonPeterE.

News Reports

Bilateral relations

China and India affirm progress in disengaging troops in first face-to-face border talks since deadly clash

South China Morning Post, February 23

China and India affirmed their progress in disengaging troops in a disputed section of their shared border and committed to working to further stabilise the situation.

With China Dispute in Sight India Builds All-Weather Border Road

Bloomberg, February 16

The 283 km long highway "will make Ladakh accessible to the whole country throughout the year."

India to bolster Indo Tibetan Border Police amid tension with China

Reuters, February 15

The new battalions, approved in a cabinet meeting and to come up by 2025/26, will cover 47 new border outposts and 12 staging camps of the ITBP.

China and India in the Region

India Pushes Russia, China to Join G-20 Consensus on War Wording

Bloomberg, March 1

Russia and China blocked agreement at finance ministers' meet.

India, China may have averted nuclear war in Ukraine by influencing Russia: US

Mint, February 26

The remarks were made by US Secretary of State Anthony Blinken and comes as the war marks its first anniversary.

Indian foreign minister says ties good with global powers barring China

Channel News Asia, February 22

Indian Foreign Minister Subrahmanyam Jaishankar said New Delhi had a good relationship with major global powers except China, which he said had violated border management agreements.

Trade and Economy

India GDP outpaces China despite slowdown to 4.4% last quarter

Nikkei Asia, February 28

India is projected to grow at 7% per annum versus China's 3%.

India foreign trade crosses $1tn in 2022. Record $100bn imports from China widen deficit

The Print, February 23

This has come with a record high trade deficit — over $85 billion — with China.

India, China, Southeast Asia will drive global market in 2023: Report

Mint, February 23

The fast-growing consumer markets of mainland China, India, and Southeast Asia will provide an important growth engine for the world economy, said S&P Global Market Intelligence.

Energy and Environment

India approves $3.9 billion hydropower project near China border

The Economic Times, February 28

The government approved the estimated investment of $3.9 billion for the 2,880-megawatt Dibang project in Arunachal Pradesh, state-run hydropower producer NHPC Ltd said Monday (February 27).

Mining giant BHP says China and India growth will buoy demand despite profit drop

CNBC, February 21

Australian mining giant BHP is optimistic China and India's growth will boost commodity demand.

UN Chief Says Climate Crisis Is A "Death Sentence" For Some Countries

NDTV, February 15

"Under any scenario, countries like Bangladesh, China, India and the Netherlands are all at risk," said the UN chief.

Analyses

Lesson for India from China's balloon war
Deccan Herald, February 27

By Jabin T. Jacob, Associate Professor and Director of the Centre for Himalayan Studies, Shiv Nadar Institution of Eminence

The Chinese tactic has been to put the other side on the backfoot by going on the offensive in language and narrative.

China's eye is on Russia, India must decide how much it can depend on Putin
The Print, February 24

By Swasti Rao, Associate Fellow at the Europe and Eurasia Center, Manohar Parrikar Institute for Defence Studies and Analyses.

China's alternate world order only works with a diminished Russia, not a defeated one.

Constrained by China agenda, India and Australia lose diplomatic flexibility
Global Times, February 23

By Xu Shanpin, Adjunct Researcher at the Center for Australian Studies, China University of Mining and Technology.

Amid the complex strategic considerations behind the intensive engagement between India and Australia, the ultimate purpose is to counterbalance China through expanding cooperation.

Japan-India Security Cooperation: Progress Without Drama
Stimson, February 15

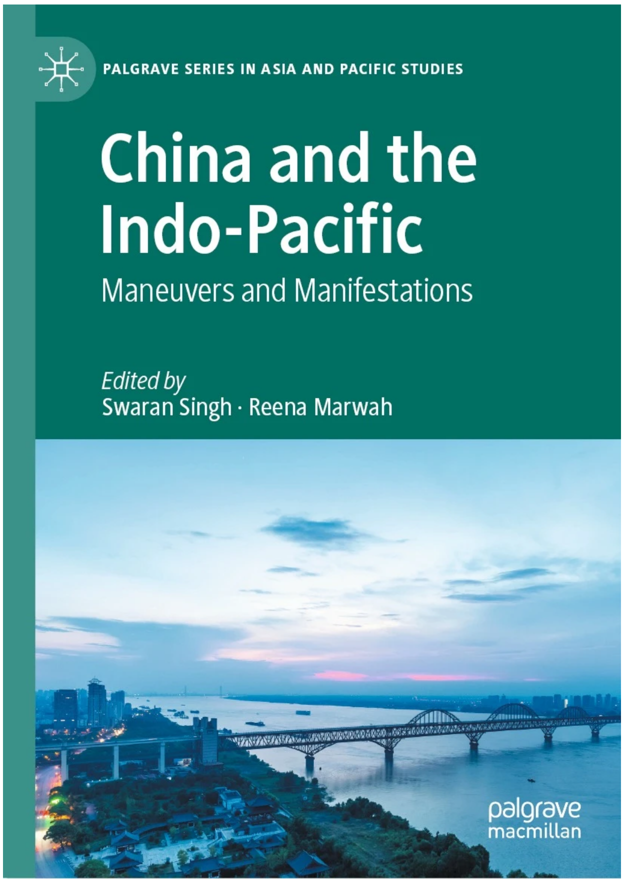
By Masahiro Kurita, Senior Fellow at the Policy Simulation Division of the National Institute for Defense Studies (NIDS), Japan

Japan's security cooperation with India can be expected to steadily deepen under the new Japanese National Security Strategy.

Books and Journals

China and the Indo-Pacific: Maneuvers and Manifestations

Palgrave Macmillan, 2023



Edited by Swaran Singh, Chairman and Professor, Centre for International Politics, Organisation and Disarmament (CIPOD), Jawaharlal Nehru University; and Reena Marwah, Professor at Jesus and Mary College, University of Delhi.

The book emanates from the geopolitical and geo-economic churning and transformations set in motion by the unprecedented economic rise of China resulting in its expanding political influence across the region and the world. In both the economic and the security realms, the United States and China alike are increasingly seen contesting in shaping the Indo-Pacific regional order to their own advantage.

This book unfolds the contours and dimensions of China's responses to various multilateral initiatives of the US and its friends and allies like Japan, Australia, and India and, to some extent, even ASEAN. While China's medium-term strategy envisages a non-hostile external environment in order to focus on domestic priorities; reducing dependence of littoral nations of the Indo-Pacific region on America while increasing their engagement and dependence on China. China's expanding reach and influence overseas has resulted in US-led initiatives being China-focused inviting a response from China where adverse reactions have become increasingly palpable.

Events

Partnership or Polarisation? Southeast Asian Security between India and China

Lee Kuan Yew School of Public Policy, February 24

The conference on 'Partnership or Polarisation? Southeast Asian Security between India and China' was held on February 24 at the Lee Kuan Yew School of Public Policy.

Helmed by Senior Research Fellow **Evan Laksmana** and Research Associate **Byron Chong** of the Centre on Asia and Globalisation, the event is part of a larger project that aims to examine whether and how Southeast Asian security cooperation with China and India could lead to either polarisation at the one extreme end of the spectrum, partnership on the other, or somewhere in between.

The project focuses on five major Southeast Asian security challenges that could potentially draw in both China and India:

- The post-2021 coup crisis in Myanmar
- Defence modernisation
- Humanitarian Assistance and Disaster Relief (HADR)
- Health security
- Maritime security

Several regional scholars were invited to author and present their essays focusing on each of these five security areas. External discussants were also invited to review the essays and provide comments.

Participants included:
Ian Chen, Curie Maharani Savitri, Yogesh Joshi, Lina Gong, Dhanasree Jayaram, Monalisa Adhikari, Bec Strating, Han Enze, Pichamon Yeophantong, Anit Mukherjee, Sara Davis, and Kanti Bajpai.

The essays will be compiled and published together as a journal special issue.

Our team

Byron Chong is the editor for the *China-India Brief*. He is a Research Associate with the Centre on Asia and Globalisation, part of the Lee Kuan Yew School of Public Policy in Singapore. He has a Masters in Strategic Studies from the S. Rajaratnam School of International Studies, at Nanyang Technological University.

@WenzhongByron

sppcwb@nus.edu.sg

Chhiv Pannharath is pursuing her Masters in Public Policy at the Lee Kuan Yew School of Public Policy and is currently working with the Centre on Asia and Globalisation under the Research Attachment Programme.

pannharath.chhiv@u.nus.edu

THE CENTRE ON ASIA AND GLOBALISATION

The Centre on Asia and Globalisation is a research centre at the Lee Kuan Yew School of Public Policy, National University of Singapore. It conducts in-depth research on developments in the Asia-Pacific and beyond, and aims to provide academics, decision-makers, and the general public with objective analysis on issues of regional and global significance. The Centre's motto "Objective Research with Impact" reflects its commitment towards ensuring that its analysis informs policy and decision makers in and about Asia.

OTHER CAG PUBLICATIONS

- *Deterring Conflict and Preserving Peace in Asia* edited by Drew Thompson and Byron Chong (Centre on Asia and Globalisation, 2022)
- *What Can the United States Learn from China about Infrastructure?* by Selina Ho in *The China Questions 2* (Harvard University Press, 2022)
- *Failure to launch? Indonesia against China's Grey Zone Tactics* by Evan Laksmana (IDSS Paper No.37)
- *India-Australia-Indonesia Maritime Partnership: Shared Challenges, Compelling Opportunities* by Premesha Saha, Natalie Sambhi, and Evan Laksmana (ORF, 2022)
- *India Versus China : Why they are Not Friends* by Kanti Bajpai (Juggernaut Books, 2021)
- *Winning the Fight Taiwan Cannot Afford to Lose* by Drew Thompson (Strategic Forum, 2021)
- *Routledge Handbook of China–India Relations* edited by Kanti Bajpai, Selina Ho and Manjari Chatterjee Miller (Routledge, 2020)

Lee Kuan Yew School of Public Policy

Centre on Asia and Globalisation

Compiled and sent to you by Centre on Asia and Globalisation and the Lee Kuan Yew School of Public Policy, National University of Singapore

China-India Brief is supported by Wilmar International Limited

Feedback or comment?
Contact our Editor: Byron Chong (Research Associate) sppcwb@nus.edu.sg
Subscribe: https://cag-lkyspp.com/cib-subscribe